

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2084
ANSWERED ON:12.12.2008
MICRO FINANCIAL AGENCIES
Bose Shri Subrata

Will the Minister of FINANCE be pleased to state:

- (a) whether Government is considering to regulate micro financial agencies in the country; and
- (b) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): The Government has introduced "The Micro Financial Sector (Development and Regulation) Bill, 2007" in Lok Sabha on 20.03.2007 to provide a formal statutory framework for the promotion, development and regulation of the micro finance sector. The Bill has been referred to the Parliamentary Standing Committee on Finance. The salient features of this Bill are as follows :-

- (a) entrust the function of development and regulation of the micro financial sector to the National Bank for Agriculture and Rural Development (National Bank);
- (b) define the various entities engaged in the activity of micro finance such as Co-operative Societies, Mutual Benefit Societies or Mutually Aided Societies registered under any State enactments or Multi State Co-operative Societies registered under the Multi State Co-operative Societies Act, 2002, societies registered under the Societies Registration Act, 1860 or any other State enactments governing such societies and a Trust created under the Indian Trust Act, 1882 or public trust registered under any State enactments, that will be governed by the regulatory framework proposed to be set up.
- (c) define various categories of beneficiaries of micro financial services as eligible clients including Self Help Groups (SHGs) or joint liability groups of such eligible clients;
- (d) provide for extending micro financial services to eligible clients by way of financial assistance subject to ceilings to be prescribed and such other financial services as may be specified by the National Bank;
- (e) provide for acceptance of thrift i.e. savings of eligible clients other than in the form of current account or demand deposit account by Micro Finance Organisations registered by the National Bank. subject to such terms and conditions as may be prescribed;
- (f) provide for constitution of Micro Finance Development Council to advise the National Bank on formulation of policies, schemes and other measures required in the interest of orderly growth and development of the micro finance sector;
- (g) provide for registration of Micro Finance Organisations to be permitted to collect thrift from individual members of SHGs or through a group mechanism;
- (h) provide for creation of a reserve fund and maintenance of accounts and periodical returns to be submitted by Micro Finance Organisations;
- (i) provide for functions and powers of the National Bank in relation to thrift services and micro financial services.
- (j) provide for constitution of Micro Finance Development and Equity Fund to be utilized for the development of micro finance sector.
- (k) empower the National Bank to frame a scheme for appointment of one or more Micro Finance Ombudsman for settlement of disputes between eligible clients and Micro Finance Organisations;
- (l) provide for offences and penalties for non-compliance with the regulatory requirements of the Bill;
- (m) to empower Central Government to prescribe Rules for carrying out the purposes of the Bill;
- (n) to empower the National Bank to make regulations with the previous approval of the Central Government for carrying out the purposes of the Bill.